

Fleet Finance and Accounting Manual
Chapter One-DRAFT

CHAPTER ONE

ADMINISTRATION AND RESPONSIBILITIES

INTRODUCTION

1000 PURPOSE

The purpose of this manual is to establish and promulgate financial accounting policy and procedures for the Department of the Navy operating forces in a current and concise document. The Chief of Naval Operations, through the Commander, Naval Supply Systems Command, establishes the systems and procedures to account for operating force inventories of spare parts and other materials.

1001 APPLICABILITY

The procedures in this manual apply to Department of the Navy operating forces. The operating forces are units of the Fleet Commanders and are typically identified by Service Designator Codes of "V" or "R", indicating the Atlantic and Pacific Fleets respectively. They are often deployable commands and in general, do not have comptroller staffs. Types of activities include:

- Active Fleet Ships and Staffs,
- Reserve Ships Assigned to the fleet,
- Fleet Aircraft Squadrons and Staffs,
- Naval Construction Forces,
- Shore Intermediate Maintenance Activities,
- Other Miscellaneous Units as Assigned.

Excluded from the procedures of this manual are those shore activities that account for their funds using NAVSO P-3006 Financial Management of Resources (Resource Management System) procedures, activities financed by non-appropriated funds and activities financed by the various working capital funds

This manual also applies to those Marine Corps activities and parts of Marine Corps activities that are financed with Navy appropriations (blue dollars). These activities are generally aviation units or Marine Aviation Logistics Squadrons (MALs), and these units receive their Navy-provided aviation funding, sometimes referred to as blue

DRAFT

Fleet Finance and Accounting Manual
Chapter One-DRAFT

dollars, from the fleet naval air forces via their Marine Corps chain of command. Marine Corps activities and operations that are financed by Marine Corps appropriations (green dollars) will follow procedures established by Marine Corps Headquarters.

1002 CLASSIFICATION OF ACTIVITIES AS OPERATING FORCES UNITS

The classification of an activity as an operating force or as a shore activity is based on the recommendation of the fleet commanders. Considerations for classification include the activity's level of staffing and the type and complexity of its operations. Requests to reclassify an activity from operating forces to ashore accounting or vice versa must be submitted via the chain of command to the Assistant Secretary of the Navy (Financial Management and Comptroller) Office of Financial Operations. Requests must contain justification that shows how the change will improve management of resources. All reclassifications will become effective with the beginning of a fiscal year. Changes of activity classification during a fiscal year are impractical and will not be considered.

1003 GENERAL POLICY

Secretary of the Navy policy is that accounting and reporting effort performed by the operating forces will be kept to the absolute minimum consistent with adequate fund control and that responsibility for formal accounting will be placed at the highest possible level. Accordingly allotments, operating budgets or reimbursable orders will not be issued directly to units of the operating forces below the echelon of the type commander or appropriate operating budget holder. Also, other major claimants or their subordinates will not issue operating targets to operating forces units not in their chain of command without specific approval of the receiving unit's chain of command.

Since the levels of staffing and information technology vary widely across the units of the operating forces, the principles and procedures in this manual are intended to be as simple, consistent and easy-to-use as practical. At the time of this writing, there are eleven different automated information systems in use at the unit level to report and manage operating forces' funds. Fortunately, the basic financial accounting concepts, principles, practices and

Fleet Finance and Accounting Manual
Chapter One-DRAFT

business cycles are essentially common to all applications. This manual will not cover the specific procedures to operate each of these systems; rather it will describe the financial management policies, practices and reporting requirements common to all of these systems. Fleet personnel should refer to their system documentation and type commander directives for detailed instructions on operation of the systems.

Fleet and type commanders are also authorized to issue amplifying directives to tailor the financial guidance in this manual to their own unique operational environment.

1004 ADMINISTRATION

The material in this section is extremely important in that it provides a complete yet basic description of the processes, policies and responsibilities associated with financial management of the funds assigned to the operating forces. All personnel, particularly supervisors, performing or overseeing financial management responsibilities for the operating forces, should understand this material.

1. AUTHORIZATION ACCOUNTING ACTIVITIES

Formal accounting and reporting responsibility for the Department of the Navy has been centralized at the Defense Finance and Accounting Service (DFAS) - Cleveland Center and its centers (formerly known as operating locations, or OPLOCs) in Norfolk, Virginia and San Diego, California. They perform official accounting and reporting for the operating budgets that support the operating forces of the Atlantic and Pacific Fleets respectively. In executing this function, the centers perform a role known as the Authorization Accounting Activity, or AAA, for assigned operating forces. This operating budget level accounting will be performed in accordance with the Department of Defense Instruction 7000.14-R (series), the Department of Defense Financial Management Regulation (FMR). Until recently, the AAA for the naval construction forces of both fleets was Defense Finance and Accounting Service Center, Oakland, California, but effective 1 October 2001, the official accounting functions for both fleets' construction forces are performed by Defense Finance and Accounting Service Center San Diego.

Fleet Finance and Accounting Manual
Chapter One-DRAFT

2. RESPONSIBILITIES

This section briefly describes the main operating forces financial management responsibilities of the different echelons of the chain of command.

a. Secretary of the Navy

Under the Secretary, the Assistant Secretary of the Navy (Financial Management and Comptroller) (ASN (FMC)) formulates and approves the budget for the Department of the Navy and establishes policy for financial operations by units of the Navy and the Marine Corps. ASN (FM&C) has three major divisions: FMA, FMO, and FMB. FMA is the Administrative and Fiscal Office, FMO is the Office of Operations and Policy, and FMB is the Office of Budget and Fiscal Management. Operating forces are typically affected most by policy decisions and actions of FMO and FMB.

(i) Office of Financial Operations (FMO) responsibilities include financial management policy, financial operations, (including developing/reviewing CFO financial statements), management control activities, (including reviewing reports of anti-deficiency violations forwarded by Responsible Offices), and development of financial management systems.

(ii) Office of Budget (FMB) responsibilities include formulation of the Department of the Navy budget (including supplemental requests, reprogramming, and the annual Ship Cost Adjustment), monitoring budget execution, coordinating and reporting to Under Secretary of Defense (Comptroller) on budget execution, and overseeing implementation of the Government Performance and Results Act (GPRA).

The Director, Office of Budget prepares and administers the entire Department of the Navy Budget for the Secretary of the Navy. FMB is "dual-hatted," working for the Chief of Naval Operations as the Director of the Fiscal Management Division (N82). As N82, he advises the CNO on the "blue dollar" execution of the budget, while the Commandant of the Marine Corps fiscal staff is responsible for the "green dollar" execution.

b. Chief of Naval Operations

DRAFT

Fleet Finance and Accounting Manual
Chapter One-DRAFT

The Chief of Naval Operations (CNO) develops requirements and plans for Navy programs. The Chief of Naval Operations (N82) passes operational funding to the major claimants (fleet commanders in the case of the operating forces) in the form of Major Claimant Operating Budgets.

The CNO is responsible for determining operating force requirements and for fulfilling these requirements by supporting the needed staff. The CNO is the responsible office for all Navy appropriations except for Research Development Test and Evaluation, Navy, and is responsible for financial execution. The responsible office ensures programs financed by an appropriation are properly managed.

Beyond the Office of the Chief of Naval Operations, the chain of command runs from the Chief of Naval Operations to commands (both shore establishments and operating forces), and then to field activities. In 1993, the Office of the Chief of Naval Operations was restructured. Each function within the Office of the Chief of Naval Operations has a Navy staff (N) code assigned to it. The N codes refer to Deputy CNOs and Directors as follows:

- N1: DCNO, Manpower and Personnel
- N2: Director, Naval Intelligence
- N4: DCNO, Logistics
- N3/5: DCNO Policy, Strategy and Plans
- N6: Director, Space and C⁴ Systems Requirements
- N7: Director, Training and Doctrine
- N8: DCNO, Resources, Warfare Requirements and Assessments

Financial management functions are carried out under the Deputy Chief of Naval Operations for Resources, Warfare Requirements and Assessments (N8) as listed below. Three important offices within N8 include the following:

General Planning and Programming Division (N-80) develops programs which are to be executed two to seven years in the future, through management of Navy aspects of the Planning, Programming and Budgeting System (PPBS). N-80 coordinates the actions of the Navy in developing documentation for these programs, defends the Program Objective Memorandum (POM), and compiles and balances the resource sponsor proposals for new or revised programs. N-80 personnel are often called "programmers". A brief description of PPBS is provided in paragraph 2001.

DRAFT

Fleet Finance and Accounting Manual
Chapter One-DRAFT

Program Resources Appraisal Division (N-81) performs assessments during the program planning phase of PPBS. They work closely with the resource sponsors. N-81 also performs the Navy's Integrated Warfare Architecture (IWAR) assessment process, discussed in the PPBS section.

Fiscal Management Division (N-82) also acts as FMB as defined above with additional responsibilities for budget formulation and execution.

c. Commandant of the Marine Corps

The Commandant commands the Marine Corps and grants Marine Corps appropriations (green dollars) for the operation and maintenance of Marine Corps units. The Commandant also establishes procedures for the accounting and reporting of these funds. However, Marine aviation forces are financed by Navy appropriations (blue dollars) provided by the naval air forces type commanders to the Marine Forces Atlantic and Pacific (MARFORLANT and MARFORPAC) chain of command.

d. Fleet Commanders

Fleet commanders are the major claimants for the operating forces. They receive funding allotments from the Chief of Naval Operations in the form of Major Claimant Operating Budgets (MCOB) and from these MCOBs, they issue operating budgets to subordinate commands. Fleet commanders determine the division of financial management responsibilities within their claimancy. In the Atlantic Fleet, all operating forces OPTARS are issued out of one central operating budget held at the fleet. Section 1517 responsibility for these funds is also retained at the fleet commander level. The fleet commander issues and accepts all reimbursable orders on behalf of fleet units and performs accounting-related functions. In the Pacific Fleet, the fleet commander passes funding to the type commanders in the form of Expense Limitations, which carry Section 1517 responsibility. From these Expense Limitations, the type commanders issue operating budgets and OPTARS. Pacific Fleet type commanders also accept and issue reimbursable orders on behalf of operating forces units and perform accounting-related functions.

e. Type Commanders

Fleet Finance and Accounting Manual
Chapter One-DRAFT

Type commanders are responsible to fleet commanders for command and management of assigned operating units, staffs and activities. As described above, type commander financial management responsibilities depend on the financial management structure established by the fleet commander. However in both fleets, type commanders determine OPTAR grants to be assigned to subordinate units and they monitor and supervise the execution of those grants. Type commanders also assist in developing program and budget requirements and determining actions to be taken when funds are inadequate to execute the approved program.

f. Group/Air Wing/Squadron Commanders

When assigned by type commanders, these staffs perform an Immediate Superior In Command (ISIC) role in supervising the financial management of assigned units.

g. Operating Forces Units

Units will perform accounting and reporting for the OPTARS assigned to them by the fleet or type commander using the procedures in this manual.

3. INTERFACE WITH OTHER ACTIVITIES

In addition to the organizations in the OPTAR holder's chain of command, certain other organizations within the Department of Defense have responsibilities related to operating forces accounting and reporting. In this section, these organizations, their responsibilities and the interfaces with the operating forces are discussed.

a. Defense Finance and Accounting Service, Cleveland Center

Defense Finance and Accounting Service (DFAS) Cleveland Center performs departmental accounting and reporting for the Department of the Navy, and is the program sponsor for the Standard Accounting and Reporting System-Field Level (STARS-FL), the official accounting system which is operated ashore for operating forces. The Defense Finance and Accounting Service Centers in Norfolk, Virginia and San Diego, California report to Defense Finance and Accounting Service Cleveland Center and they provide accounting and disbursing services to the fleets.

b. Defense Information Services Activity

DRAFT

Fleet Finance and Accounting Manual
Chapter One-DRAFT

Defense Information Services Activity (DISA) operates the computer systems upon which the STARS programs, including STARS-FL, run at its field activity, the Defense Enterprise Computing Center (DECC), Mechanicsburg, Pennsylvania.

c. Naval Supply Systems Command

Commander Naval Supply Systems Command (NAVSUP) determines policy and requirements for the automated supply information systems that support financial management for operating forces. Two of NAVSUP's field activities, Fleet Material Support Office (FMSO) and Naval Inventory Control Point Philadelphia (NAVICP-P) perform other key roles in the financial accounting process.

(i) Fleet Material Support Office (FMSO) is the Central Design Agent (CDA) for the STARS system, and maintains the program on behalf of Defense Finance and Accounting Service Cleveland Center. FMSO technicians and programmers make updates to the STARS software when required.

(ii) Naval Inventory Control Point (NAVICP-P) Philadelphia. Among other functions, NAVICP-P operates the Windows Standard Automated Logistics Tool Set (WINSALTS). WINSALTS is used by nearly all operating forces activities as a communications medium to transmit obligation data from the unit into STARS-FL and to transmit and receive other financial reports and listings.

d. Space and Naval Warfare Systems Command

Space and Naval Warfare Systems Command (SPAWAR) is the program manager for the Non Tactical Command Support System (NTCSS), which is the primary suite of operating forces hardware and software for maintenance, logistics and financial management.

Through their System Centers, SPAWAR is the Central Design Agent for most of the Automated Information Systems (AIS) that serve as unit level financial management systems in the operating forces. These systems include Relational Supply (R Supply) Force Level and R Supply Unit Level, Shipboard Non-Tactical ADP System (SNAP), MICRO SNAP, and Automated Travel Order System Plus (ATOS Plus) and the Aviation Storekeeper Information and Tracking System (ASKIT).

DRAFT

Fleet Finance and Accounting Manual
Chapter One-DRAFT

They also serve as Central Design Agent for several auxiliary systems, which, while they do not maintain unit level financial records, assist unit financial personnel with several processes. These include Ships and MALS Automated Reconciliation and Tracking System (SMARTS) and the Purchase Automated Reconciliation Information System (PARIS).

Additionally, they receive trouble calls, perform troubleshooting and testing, create corrective system modifications as necessary and provide training on the various AIS.

4. STANDARD ACCOUNTING AND REPORTING SYSTEM - FIELD LEVEL (STARS-FL)

STARS-FL is one of the subsystems of the Department of Defense Standard Accounting and Reporting System. Since Fiscal Year 1998, STARS-FL has been the official accounting system maintained ashore for operating forces funds, replacing the outdated Fleet Resource Accounting Module (FRAM). The expanded use of the STARS system has enabled the Department of Defense to reduce the previous number of general funds accounting systems and operating sites, thereby saving software maintenance and system operating costs.

STARS consists of four major subsystems: Headquarters (HQ), Field Level (FL), One Pay (OP), and Financial Departmental Reporting/Major Command Reporting (FDR/MCR). Headquarters and Field Level are the accounting subsystems for headquarters (e.g., Fleet Commanders, Naval Sea Systems Command). The One Pay subsystem utilizes electronic data interchange and funds transfer for the payment of commercial vendors. The Financial Departmental Reporting/Major Command Reporting subsystem provides status reporting of all Navy/Marine Corps appropriations to the Office of the Secretary of Defense and the Treasury Department.

Defense Finance and Accounting Service Cleveland Center is responsible as the sponsor for all four subsystems and FMSO is the Central Design Agency for all of these subsystems. All four subsystems reside on a mainframe computer at the Defense Enterprise Computing Center (DECC) in Mechanicsburg, Pennsylvania.

Fleet Finance and Accounting Manual
Chapter One-DRAFT

While each OPTAR holder maintains records of obligations and unobligated balances, it is the obligations and balances in the STARS-FL system that are considered the authoritative, official records. Records of obligations and balances at the unit level are memorandum records. The several types of systems onboard the operating forces units are referred to as "feeder systems", because they feed obligation data to the official system.

STARS-FL offers fund administration personnel nearly real time visibility of financial information at the detailed transaction level. Each transaction, and overall fund balances at the operating budget level are visible to the fund administrators. In addition, a number of reports (under the INFOPAC subsystem) and a customizable query facility are available. Several of the more important reports are briefly discussed in paragraph 3005.

In order to use STARS-FL for operating forces accounting, several data conversions are necessary to translate the obligation data fed from the unit level Automated Information Systems (AIS) into the format used by STARS-FL. First, the operating forces AIS report obligations, adjustments and cancellations in an 80 column format, known as Z0_ and/or X0_ transactions, while STARS-FL uses a more detailed 510 character "B1" record. Second, while STARS-FL uses job orders to accumulate costs, the operating forces use fund codes. Programming logic translates the Z0_ and X0_ records and fund codes into the B1 records with job order numbers required by STARS-FL. All of this data translation occurs within STARS-FL and is transparent to the operating forces personnel.

<p>KEY POINT - The STARS-FL system contains the official accounting records of operating forces funds. It runs ashore on mainframe computers at Defense Enterprise Computing Center Mechanicsburg, PA, and it is used by DFAS, fleet commanders and type commanders.</p>
